

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-01

L-02 NSC-05 PA-01 PRS-01 SS-15 USIA-06 NIC-01 INT-05

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FM USLO PEKING

TO SECSTATE WASHDC 3016

INFO AMEMBASSY BERLIN

AMEMBASSY BONN

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD CH GE

SUBJECT: SINO-EAST GERMAN TRADE

1. IN INTRODUCTORY CALL ON EAST GERMAN COMMERCIAL COUNSELOR EWALD LUDWIG DECEMBER 23, USLO OFFICERS LEARNED THE FOLLOWING ABOUT GDR-PRC TRADE AND LUDWIG'S VIEWS ON TRADE EXHIBITIONS IN THE PRC.

2. IN TERMS OF GDR FOREIGN EXCHANGE MARKS, PRC-GDR TRADE IS ONLY HALF WHAT IT WAS IN 1960, WHEN THE SINO-SOVIET RIFT AND CHINA'S ECONOMIC DIFFICULTIES PUT IT IN A TAILSPIN. SINCE 1963, HOWEVER, TRADE HAS BEEN ON A RISING TREND, AND IT REACHED SWISS FRANCS 185 MILLION, BOTH WAYS, IN 1973 (IN TERMS OF ACTUAL DELIVERIES). THE 1974 AGREEMENT CALLED FOR AN INCREASE OF 30 PERCENT OVER THE 1973 FIGURE OR ABOUT SF 240 MILLION. LUDWIG IS CONFIDENT THIS TARGET WILL BE MET.

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3. AS WITH MOST SOCIALIST COUNTRIES, GDR TRADE WITH CHINA IS DENOMINATED IN SWISS FRANCS FOR PRICING AND

CLEARING PURPOSES, AND GOODS ARE VALUED ACCORDING TO WORLD MARKET PRICES AT THE TIME EACH CONTRACT IS SIGNED. TRADE IS NOT ALWAYS PRECISELY BALANCED, BUT IMBALANCES ARE ALWAYS OF A SHORT-TERM NATURE.

4. IN COMMODITY COMPOSITION, PRC-GDR TRADE HAS CHANGED LITTLE SINCE 1963. THE GDR EXPORTS MACHINE TOOLS, DIESEL ENGINES, SHIPS, LORRIES, RAILWAY CARS AND OTHER GOODS TO CHINA IN EXCHANGE FOR LARGE AMOUNTS OF CHINESE TEXTILES, SOME PRC RICE, SOYBEANS, NON-FERROUS METALS AND OTHER RAW MATERIALS. GIVEN THE STABILITY OF THE TRADE, IT IS EASY FOR EACH SIDE TO PLAN AHEAD. LUDWIG SAID THAT MANY INDIVIDUAL CONTRACTS ARE SIGNED IN ADVANCE OF THE ANNUAL AGREEMENTS. HE ALSO SAID THAT EAST GERMAN ENTERPRISES ARE NOW BUILDING REFRIGERATED RAILWAY CARS FOR DELIVERY TO CHINA IN ABOUT 1976 EVEN THOUGH NO WRITTEN CONTRACT FOR THIS PROJECTED SALE HAS BEEN SIGNED. IT IS UNDERSTOOD, HE SAID, THAT THE CARS WILL BE INCLUDED IN THE TRADE AGREEMENT GOVERNING THE ANTICIPATED YEAR OF DELIVERY.

5. LUDWIG DID NOT SAY THERE WOULD BE AN INCREASE IN PRC-GDR TRADE NEXT YEAR, BUT GAVE THE IMPRESSION THAT HE ANTICIPATES CONTINUED GROWTH. NEGOTIATIONS ON THE 1975 TRADE AGREEMENT ARE NOW ABOUT 75 PERCENT FINISHED, HE SAID; THE ACCORD SHOULD BE READY FOR SIGNING NEXT MONTH.

6. ASKED WHETHER HIS COUNTRY HAS FURTHER PLANS TO STAGE TRADE EXHIBITIONS IN CHINA, LUDWIG SAID THE EAST GERMAN ZEISS COMPANY, WHICH STAGED AN INSTRUMENTS SHOW IN SHANGHAI LAST YEAR, WILL PUT ON ANOTHER EXHIBIT IN PEKING NEXT YEAR. IN GENERAL, LUDWIG SAID, THE EAST GERMANS DO NOT FAVOR LARGE EXHIBITIONS SUCH AS THOSE STAGED BY MANY WESTERN COUNTRIES IN PEKING, BUT RATHER PREFER SMALL, SPECIALIZED SHOWS WHICH ARE LESS COSTLY AND WHICH HAVE REALISTIC POTENTIAL FOR TRADE EXPANSION. HE SAID THEY FIND IT TAKES TWO YEARS FOR A SHOW TO REAP BENEFITS IN ACTUAL SALES.

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